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UNCLAS DAR ES SALAAM 000146

SIPDIS

USDOC FOR ROBERT TELCHIN
NAIROBI FOR FCS

SENSITIVE

E.O. 12958:N/A

TAGS: [ECON](#) [EINV](#) [PREL](#) [PGOV](#) [TZ](#)

SUBJECT: Cargill Debt Dispute Resolved, First Payment Made

REF: A) 04 DAR ES SALAAM 02297 B) 04 DAR ES SALAAM 01128

C) 04 DAR ES SALAAM 00159

Sensitive but Unclassified (SBU). Protect accordingly.

1. (SBU) Representatives of the US company Cargill Cotton confirmed the company received the first payment from the Tanzanian government on 30 December 2004, as agreed in the resolution of the long-standing debt dispute (reported in reftels). The government confirmed that each of the creditor companies involved in the dispute have been paid the first installment, which is half of the total agreed amount. The second half will be paid by the end of June 2005, according to the agreement.

2. (SBU) The Cargill dispute began in the period of Tanzania's transition from a state-controlled economy to a market economy. The dispute's resolution was complicated by the fact the debtor agency, the state-owned Tanzanian Cotton Marketing Board (TCMB), had been dissolved and a number of Tanzanian ministries had to be involved in sorting out the TCMB's liabilities. For a number of years, post has made significant efforts to support Cargill in the resolution of this dispute. Ambassador Royall met with Prime Minister Sumaye in 2002; subsequently, the Charge d'Affaires and Econoff met with GOT officials on numerous occasions, including an Embassy-hosted lunch with GOT officials, company representatives, and other interested diplomatic missions. Post will continue to follow up on the next and final payment scheduled for June 2005.

3. (SBU) Cargill representatives have reported that they are now ready to again pursue serious business in Tanzania. In 2004, Cargill was the largest purchaser of cotton from Tanzania, buying over 32 million kilograms. Cargill also owns ginning factories in the country and has expressed an interest in investing in commercial farming in Tanzania.

4. (SBU) Comment: While dispute settlement in Tanzania remains inefficient and time-consuming, the GOT has now shown a greater willingness to keep its commitments. Cargill's renewed interest in expanding its business ties with Tanzania reflects the new business environment in the country, in which government plays a limited role in a more transparent and reliable manner. End comment.

STILLMAN